

## Equity Markets

Wednesday's speech by U.S. Federal Reserve Chair Jerome Powell fueled a rally that saw the NASDAQ jump 4.4%, the S&P 500 rise 3.1%, and the Dow add 2.2%. The Dow's gain put that index into a new bull market on Wednesday, as it rose more than 20.0% above a recent low on September 30.

	<u>11/28 Close</u>	<u>12/2 Close</u>	<u>Price Change</u>
Dow Jones	34,201	34,430	Up 0.4%
S&P 500	4,026	4,072	Up 1.2%
NASDAQ	11,226	11,462	Up 2.1%
KBW Bank Index	105.5	106.4	Up 0.8 %
VIX	20.5	19.1	Dn 6.8%
Oil (WTI)	76.3	79.8	Up 4.9%

The big Wednesday was offset by the impact of Monday's decline, leaving the major indexes with modest weekly gains. The NASDAQ added around 2%, the S&P 500 rose 1%, and the NASDAQ finished up slightly. An index that measures investors' expectations of short-term U.S. stock market volatility fell for the sixth week out of the past seven. The Cboe Volatility Index slipped to the lowest level since mid-August.

## Interest Rates/Bonds

Even with the rally in the shorter, 2-year Treasury rate, the inversion between the 2-10-year spread remained at -78 basis points, signaling the markets expectation of lower rates.

Jerome Powell confirmed in a speech that smaller interest-rate increases could start as soon as the Fed's December 13-14 meeting. Officials approved rate hikes of three-quarters of a percentage point at each of their last four meetings.

	<u>11/28 Open</u>	<u>12/2 Close</u>	<u>Change</u>
3-month UST	4.26%	4.25%	- 1 bp
2-year UST	4.48%	4.29%	- 19 bp
5-year UST	3.86%	3.65%	- 21 bp
10-year UST	3.69%	3.51%	- 18 bp
2-10yr UST Spread	-79 bp	-78 bp	+ 1 bp
10yr Inflation Rate	2.33%	2.44%	+ 11bp

The yield of the 10-year U.S. Treasury bond tumbled to its lowest level in two and a half months, settling around 3.51% on Friday after ending the previous week at 3.69%. In the past month, the 10-year has dropped from 4.24%. The 2-year Treasury also saw a large decline week over week. The fall in yields came amid continuing signs that high inflation has recently been moderating.

## Washington

Fed Chair Jerome Powell signaled that the central bank is poised to raise interest rates by a half percentage point at its next meeting, a step down from its four-consecutive 0.75-point rate hikes, in its ongoing fight to tame inflation. Given that the Fed has raised rates quickly and that it takes time for these moves to take root in the economy, it would make sense for Fed officials to slow the pace of rate hikes, he said.

Depositories are carefully monitoring the CFPB's appeal to the U.S. Supreme Court as the fate of the agency's funding, guidance and enforcement actions hangs in the balance. In mid-November, the CFPB, asked the nation's highest court to hear its case regarding a ruling from a lower court that its funding structure is unconstitutional. If upheld, the decision of the U.S. 5th Circuit Court of Appeals could wipe out the current mechanism by which the agency gets its appropriations through the Federal Reserve. It also could invalidate all the enforcement actions and guidance the CFPB has undertaken since its inception under the Dodd-Frank Act.

The federal government is on the verge of backstopping mortgages of more than \$1 million for the first time in high-cost markets. The increase reflects the fast rise in home prices over the past few years. The maximum size of home-mortgage loans eligible for backing by Fannie Mae and Freddie Mac will increase in 2023 to \$1,089,300 in a few expensive markets.

## Economic Results

### 11/28 – 12/2

**Nov. Consumer Confidence:** US consumer confidence fell in November as inflation and economic uncertainty continued to loom large and potentially dampen holiday shopping plans.

**PCE/Income/Spending:** The core personal consumption expenditures price index rose 0.2% in October, slightly below the estimate. The index increased 5% year over year. Personal income jumped 0.7% for the month, well ahead of the 0.4% estimate, and spending rose 0.8%, as expected.

**Nov. Nonfarm:** The labor market remains a source of strength in the weakened U.S. economy, as 263,000 new jobs were added in November. It marked the fourth consecutive month with jobs gains in the 200,000 to 300,000.

## Economic Week Ahead: 12/5 – 12/9

Oct Factory Orders (Mon),  
Nov. ISM Index (Mon), Nov.  
PPI (Fri).

## Quote

“Success is not final; failure is not fatal: it is the courage to continue that counts .”  
– Winston Churchill

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